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SUBJECT: SERBIA: VOTE ON PROPOSED LAW ON PLANNING AND CONSTRUCTION  
DELAYED

REF: BELGRAGE 725; BELGRADE 791

SUMMARY  
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1. (SBU) Serbia's parliament delayed voting on the controversial draft law on Planning and Construction, postponing it until August 31, after the parliament's summer recess. The law continues to be controversial due to its potential to negatively affect future restitution claims, causing the ire of U.S. citizens, the Serbian Orthodox Church, Jewish groups, and American and Serbian organizations (ref A). In our continued efforts to voice our concerns about the proposed legislation and the need for a fair and transparent approach to restitution, the Charge spoke to President Boris Tadic's office, Finance Minister Diana Dragutinovic, and Parliament Speaker Slavica Djukic-Dejanovic. Despite the controversy we expect the government will have a sufficient majority to pass the legislation through parliament. End Summary.

VOTING POSTPONED  
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2. (SBU) According to our sources and the media, the Law on Planning and Construction, along with 23 other pieces of legislation, was scheduled to go to Parliament for a vote on July 31. However, Parliamentary Speaker Slavica Djukic-Dejanovic announced on July 30 that voting on the laws was postponed for August 31. She denied speculation that the postponement was due to disagreement within the ruling coalition over a disputed bill on changes and amendments to the media law (ref B). The Planning and Construction Law would allow usage right holders to convert their usage right to full private land ownership, free of charge, while lease holders could convert to ownership by paying the whole lease amount plus one percent. Usage rights acquired through privatization could be converted by paying the difference between the market value of the land at the time of conversion and the cost of acquiring the land. Fifty percent of the proceeds from the conversions would go to local government budgets and 50% would go to a national restitution fund.  
SPEAKER DJUKIC-DEJANOVIC: THE LAW IS NEEDED  
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3. (SBU) On July 27, the Charge met with Speaker Djukic-Dejanovic to express our concerns that a restitution law would not precede the Law on Planning and Construction, that there is a lack of clarity about any proposed restitution, and that the Planning and Construction Law could have a negative effect on Serbia's investment climate. In response to the Charge's concerns that a restitution law should precede the Construction Law, Djukic-Dejanovic said she understood the USG's concerns about restitution claimants from the diaspora in the United States and about the investment climate but that the Planning and Construction Law was needed and that the law's drafter, Minister of Environment and Zoning Oliver Dulic (DS), believed in the bill as drafted. Djukic-Dejanovic said a forthcoming Restitution Law, was also a priority piece of legislation for later in the year, but that she could not tell any ministry to hurry up its work in drafting legislation. But she said she hoped for a restitution law

by the end of the calendar year.

FINANCE MINISTER DRAGUTINOVIC: RESTITUTION IS COSTLY  
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¶4. (SBU) In a July 24 meeting with the Charge, Finance Minister Dijana Dragutinovic admitted that she had not closely followed the issues associated with the Planning and Construction legislation. She assured the Charge that the government understood the necessity to address restitution and that her ministry was preparing legislation for later in the year. Her ministry's main concern, however, was to make certain that any future restitution law was not too great of a financial burden to Serbia. Serbia needed a restitution law, and the future law should not create "new injustices," she said. Dragutinovic said any future burden from restitution needed to be "feasible and fixable."

ORTHODOX CHURCH: LACK OF PRIVATE CLAIMANT RESTITUTION LAW UNFAIR  
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¶5. (SBU) The Charge met with Serbian Orthodox Church (SOC) spokesman and Bishop of Backa Irinej on July 29 to discuss the SOC's messages to the government about the proposed law. Irinej confirmed he had tried to speak with President Boris Tadic, Prime Minister Mirko Cvetkovic, and Minister Dulic to protest the legislation and to argue that a restitution law be enacted first. Although Irinej did not speak to Tadic, he said he spoke to Tadic's chief of staff Miki Rakic and Minister Dulic, but neither was receptive to his message. Irinej said it was unfair that there was already a restitution law for religious organizations, but not one for private claimants. He was concerned, like many others, that the proposed Planning and

Construction Law would restrict a future restitution law and prevent claimants from getting their land back. He admitted that Serbia could not afford to compensate all restitution claimants, but said it needed to return something. Irinej said Serbia should have settled restitution issues before privatizing companies, but Serbia should now compensate those claimants whose property was sold during the privatization process.

PRESIDENT'S OFFICE: LAW NEEDED TO PLACATE LABOR  
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¶6. (SBU) A Tadic advisor told the Charge on July 30 that the Planning and Construction Law was necessary and that the government was determined to see it through as soon as possible. He said funds raised from the enactment of the Planning and Construction Law would be divided between future restitution claims and paying workers' benefits in the fall. The law was an important gesture to workers, the source said.

CLAIMANTS CONTINUE TO WEIGH IN  
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¶7. (U) On July 29, local organizations Club 21 and the Serbian League held a press conference to outline what they saw as the negative effects of the proposed law. Club 21 Coordinator Dusan Janjic asserted that the law was designed to maintain tycoons' empires by giving them clear property titles that they could use to take out loans. He added that the implementation of the law would delay Serbia's entry into the EU. Mahmud Busatlija of Club 21 said the law would not solve Serbia's property rights issue. He maintained that even if the law were passed, restitution claimants would challenge the law in domestic and international courts, seeking restitution in kind and further compensation.

COMMENT  
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¶8. (SBU) Despite the numerous domestic and international concerns against the proposed Law on Planning and Construction, the GoS is determined to see it pass. The parliament's delay on voting on the law is merely a temporary measure caused by larger controversies surrounding other pending legislation, specifically the media law. The government's ad hoc, stove-piped approach to developing and handling this legislation is a further indication of the deeper fractures facing the coalition. Of equal concern is the government's

intention to partially use potential funds for workers' benefits in order to placate growing social discontent with the government. Its willingness to prefer short term solutions over necessary longer term structural change may ultimately cost Serbia in terms of future foreign investment and a transparent business climate. End Comment.  
BRUSH